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Montana Community Development Block Grant Program

1996 APPLICATION GUIDELINES FOR ECONOMIC DEVELOPMENT PROJECTS

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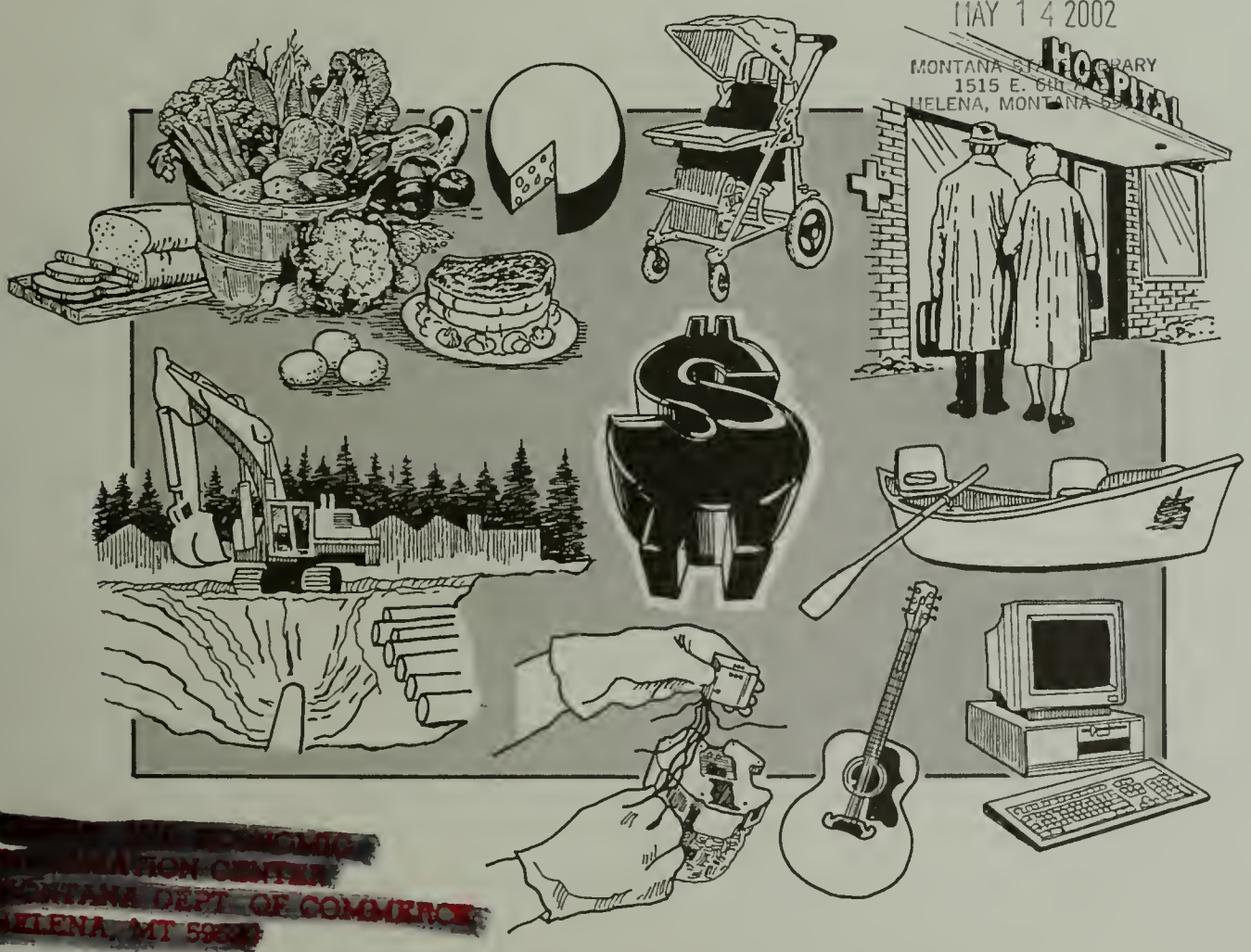

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MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

APPLICATION GUIDELINES FOR ECONOMIC DEVELOPMENT PROJECTS

MONTANA DEPARTMENT OF COMMERCE

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ECONOMIC DEVELOPMENT PROJECTS

I. INTRODUCTION

The economic development category of Montana's Community Development Block Grant (CDBG) Program is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate income persons. CDBG funds, which are received annually from the U.S. Department of Housing and Urban Development (HUD), are intended to be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing techniques and those of other federal programs such as the Economic Development Administration and Small Business Administration. The program is also designed to complement the Department of Commerce programs for business assistance such as those administered by the Economic Development Division, the Montana Board of Investments, and the Montana Science and Technology Alliance.

Funds will also be available under the State Economic Development Administration (EDA) Revolving Loan Fund (RLF). Please see Section I on page 31 which describes the guidelines for applying for these funds.

A. ELIGIBLE ACTIVITIES

The Montana CDBG program has limited financial resources and, as such, places highest priority on projects which will have the greatest potential for creating long-term employment opportunities for low and moderate income Montanans and for providing other long-term economic benefits to Montana's communities.

Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses. Retail and service businesses have the greatest potential of creating local conflict over the provision of assistance to competitors. The purpose of the CDBG program is to create jobs, but not if assistance will result in other jobs being lost in a community or region. The decision to submit an application in this situation is principally a local one. The Department will consider local comments in the hearings, particularly in regard to concerns expressed by local business interests.

The CDBG funds cannot be used as a direct financial incentive to relocate a business from one Montana community to another. The

Department will consider situations on a case by case basis where businesses have made prior commitments to move their facility or operations three months prior to submittal of the CDBG application. All relevant factors, such as written agreements, will be reviewed to determine if any extenuating circumstances exist to support the need for new operations at a different location.

The CDBG economic development program is designed to assist businesses by making appropriate long-term, fixed-rate financing available to them at reasonable interest rates, and by providing public improvements in support of economic development activities.

Typical eligible activities that fall within the CDBG economic development category include: land acquisition; public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; loans for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital; employee training; and grants or loans from communities to nonprofit entities.

B. INELIGIBLE ACTIVITIES

The following activities are considered by HUD to provide insufficient public benefit and may not under any circumstances be assisted with CDBG funds. The activity may not consist of or include any of the following:

1) General promotion of the community as a whole.
2) Assistance to professional sports teams.
3) Assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to users or members clearly outweighs employment or other benefits to LMI persons.
4) Acquisition of land for which the specific proposed use has not yet been identified.

C. ELIGIBLE APPLICANTS

Eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State

program. Likewise, properties located on land owned by Indian tribes are not eligible for improvement under the state program.

Businesses are not eligible to apply directly to the Department. Special purpose agencies such as local development corporations are also not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if the eligible applicant agrees to such an arrangement.

Local governments that are currently administering one or more CDBG projects will not be eligible to reapply unless:(1) the current CDBG project(s) is/are being managed in an acceptable manner consistent with the implementation schedule contained in its CDBG contract with the Department and (2) the project management plan submitted with the new application is considered acceptable to the Department.

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation.

1. County Applications

For projects proposed within the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to serve all county residents, including those located in the unincorporated jurisdiction of the county. Federal requirements prevent the State CDBG Program from granting funds to Yellowstone County and Cascade County for projects located within Billings and Great Falls city boundaries.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same economic development need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities.

2. Municipal Applications

For economic development projects proposed to serve residents

within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction.

3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

a. The problem to be addressed lies in an area of contiguous jurisdictions.

b. The solution to the common problem clearly requires cooperative action and is the most efficient strategy.

c. The local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the submittal date for the application.

The eligible local governments involved must each meet the requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission, grant administration and financial management, should the full application be awarded funds.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

II. DISTRIBUTION OF FUNDS AND GRANT CEILING

Applications prepared in response to these guidelines for economic development projects will be accepted on an open-cycle basis, after the Department receives HUD's notification of funding, until all available funds set aside for the FY 1996 CDBG economic development category are committed to approved projects. A total of $2,784,193 will be available for the 1996 CDBG economic development program. This amount represents 1/3 of the total amount of CDBG funds available for award for the Montana

CDBG program. The ceiling for each economic development grant request is $500,000. Although there is no minimum grant request, the Department does not encourage applications requesting less than $100,000 in CDBG funds, including administrative costs. Administrative costs for grantees and the state are generally not proportionate to the total grant amount requested and, therefore, can be very excessive for projects of less than $100,000. All administrative functions must be performed for all grants, regardless of size. Grants of less than $100,000 may require that the applicant pay for some administration costs with local funds. Applicants should consult the Department when considering administration costs. The level of difficulty in managing CDBG projects varies considerably depending on the type of project and requirements that are triggered for each.

Local governments may apply more than once in a fiscal year for economic development funds and may be eligible to receive up to a maximum of $500,000 in a program year for economic development projects. In addition, all eligible applicants may also apply for either a public facility or a housing project in the spring and fall CDBG competitions, even if they have already received the $500,000 limit for economic development projects.

III. APPLICATION PROCEDURES

An application must be submitted to the Economic Development Division of the Department of Commerce (see address on Introduction page) using the form in Appendix A and all other appropriate documentation to fully respond to these application guidelines. The application will be reviewed as soon as possible by the Department. If the application is complete, all minimum thresholds appear to have the potential to be met, and the initial financial review indicates that the project may have the potential to be financially feasible and is properly structured, CDBG staff will commence a full review of the project and prepare a report for the loan review committee, generally within 30 days. If the application is considered incomplete, the Department will explain in writing the items needed to complete the application and why.

After HUD's funding allocation notice has been received by DOC, applications will be reviewed and analyzed by staff on a "first come, first served" basis, as determined by the date the full application is found to be complete by the Department. CDBG staff will work closely with applicants during the review process to negotiate any changes and resolve issues identified during the review. Staff will always consult the contact persons from the business and the applicant community before an application is accepted as complete and the staff report is submitted to the

loan review committee. Applications may be modified during the review in order to strengthen the project, especially the financial structure.

A. Order of Precedence for Loan Committee Review and Funding

Applications which are received and accepted as complete, and which have received staff analysis and recommendation, will be submitted to the loan review committee at the earliest available time after the financial analysis is finished.

Applications will be reviewed by the loan review committee, and will be funded, if approved by the committee and the Director, in the order in which they are submitted to the loan review committee. However, when more than one application is submitted to the committee in the same loan review cycle, they will be considered to be submitted simultaneously and will be reviewed and/or funded in the order of the dates on which the applications were accepted as complete.

The committee will make a recommendation to the Director, who will make the final decision on project awards. **An award letter will be sent to the applicant stating the funding amount, interest rate and term, and any conditions which apply. The date of the funding decision by the Loan Review Committee becomes the date the CDBG contract takes effect. Projects must be completed two (2) years from this date unless the contract period is amended.** In the event that the Director revises the recommendation by the loan review committee, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternative decision was made.

Applicants should also be aware that in most cases it may take four to six weeks before any funds will actually be received after the decision to award a grant has been made. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and expenditure of federal funds must be finalized.

B. Applications for Assistance to For-profit Businesses and Nonprofit Entities

Applicants should use the application summary found in Appendix A and attach all required information. The for-profit business or nonprofit entity should complete the Business Application Requirements section of the guidelines and the local government will be responsible for the Local Government Application

Requirements.

C. Public Improvement Projects

Applications that propose public improvements as assistance to businesses will be accepted by the Department and reviewed with similar procedures as loans to for-profit businesses. The application must include a complete business plan and financial package for each business assisted. A "financing gap" must be identified and documented in the financial package submitted with the application. The application must demonstrate that other funds, including private funds from the business, are insufficient to complete the project without CDBG participation.

The application must meet the same threshold requirements, demonstrate viability, include a hiring and training plan for each business assisted, and meet all other appropriate requirements contained in these guidelines.

Federal regulations now require that where the CDBG cost per FTE job is $10,000 or more, all jobs created or retained as a result of the project's impact on businesses in the service area may be aggregated to meet the national objective of benefitting low and moderate income persons. All jobs created or retained by all businesses which locate or expand as a result of the public improvement must be aggregated and tracked for one (1) year from the physical completion of the public facility and/or improvement. All jobs created from all businesses assisted must be counted towards the 51% benefit to low and moderate income threshold. An assessment of current businesses and prospective businesses that will benefit from the project must be conducted by the local government before the application is submitted. Contracts for public improvement projects may be for a three year period to allow for this one-year job tracking requirement.

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IV. BUSINESS APPLICATION REQUIREMENTS

IV. BUSINESS APPLICATION REQUIREMENTS

A. BUSINESS PLAN

NOTE: All business plan information and financial exhibits will be considered confidential, for evaluation purposes only, and will not, except as required by law, be provided to any third person, firm, corporation or public entity without the express written consent of the business.

Each applicant must submit a business plan for each business or entity to receive direct assistance, whether for-profit or nonprofit. Each business plan must contain sufficient information for the Department to obtain an adequate understanding of the business to be assisted, including the products or services offered, estimated market potential, management experience of principals, current financial posture, and details of the proposed venture. The business plan components contained in this section are required for CDBG economic development applications involving loans, grants, or public improvements directly assisting for-profit or non-profit entities.

The Montana CDBG Program has developed a brief Business Plan Outline which may be helpful in developing a business plan for the application. The Business Plan Outline is available from the DOC, Economic Development Division upon request.

Applications involving more than one business will require a longer review period. Each business included in an application will be evaluated and rated separately. An application will be more likely to be funded if all businesses proposed are financially strong individually. An otherwise strong application on behalf of more than one business may not be fundable, if a weaker business is included.

The business plan must include the following elements and must provide sufficient detail for adequate analysis:

1. Business Description

Include a description of the company or enterprise and an explanation of the products or services offered.

2. Management

Provide the names, titles, and resumes of each of the principals to be responsible for the management of the business.

3. Market

Discuss the present or proposed market area and share, as well as future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

4. Sources and Uses of All Funding

This section would discuss the source, use, and terms of all funds to be included in the project. Use the form in Appendix A to list the sources and uses of all funding for the project.

No grants can be made to for-profit businesses. A description of all aspects of the proposed assistance (i.e., loan terms, security, etc.), and the rationale for each must be included with the application.

5. Financial Exhibits

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e. changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). Special care should be taken to include increased labor costs related to achieving the hiring goals contained in the hiring and training plan.

The business plan must include the following financial exhibits:

a. Financial Statements

For existing businesses, provide financial statements for the three most recent years of operation to include the following:

-- Balance Sheet;
-- Profit and Loss Statement;
-- Cash Flow Statement; and
-- Reconciliation of Net Worth.

Current financial statements compiled or reviewed by an independent certified public accountant, with full disclosure notes,are required for businesses that have been in operation for more than one complete business fiscal year. All financial

information must be signed by a responsible officer of the business. Financial statements must also include a current Aging of Accounts Receivable and Payable. There should not be significant time period gaps (more than 90 days) between the historical statements and the projected statements. The CPA prepared financial statement should not be dated more than 90 days prior to the date the application is submitted. The projections should use the same fiscal year periods as the historical financial statements. Applications that contain appropriate, updated, accurate financial information can be processed significantly more quickly than incomplete applications that require Department requests for additional information.

b. Earnings Projections

Provide the following projections for three years:

-- Balance Sheet;
-- Profit and Loss Statement; and
-- Cash Flow Statement.

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break even point is projected to be reached by the business. For businesses that experience regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for the occurrence of the cycles and the effect, if any, on the businesses' ability to meet its debt obligations identified in the existing and projected debt schedules.

c. Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements. Financial statements should include current maturities of long term debt and adjusted principal balances. All debt sources must be identified independently and not combined into one long term debt number on the balance sheet. Principal and interest payments for at least three years should be included for all sources.

d. Working Capital Needs

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

e. Personal Balance Sheets

Provide current personal balance sheets for each individual with 20 percent or more ownership in the proposed project. The Department may require the submittal of personal or corporate income tax returns, if necessary.

f. Personal Credit Check Release

The principal owners of the business, as defined above, must provide a release allowing for a personal credit history check by the Department as part of the application review.

Applicants should include any other information which may be helpful in documenting the economic viability of the project.

6. Private Sector Commitments

Applications should be submitted only for those projects that are ready to proceed pending receipt of CDBG funds.

Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project. Such commitments should be binding, contingent only upon receipt of CDBG funds. All terms and conditions that apply to each funding source must be submitted as part of the application. Applications that include a loan guarantee from the Small Business Administration must include the letter of authorization from the SBA which contains the terms and conditions that apply to the loan. Terms and conditions for proposed debentures must be included. Letters of commitment from firms to be assisted must be submitted with the application and must:

-- be on a letterhead of the firm and signed by an official of the firm authorized to commit the organization

-- provide a clear statement of the firm's concept of the project(i.e. the location, scope and cost)

-- specify the nature of the commitment(e.g.,the amount of private commitment, amount of borrower's commitment, type and size of the project, number of jobs to be created, and commitment to hire low and moderate income individuals)

-- state a willingness of the firm to sign a legally binding commitment upon grant award and that the firm has reviewed the grant application and has approved its content

Letters of commitment from private financing institutions must specify the amount and type (for example, interim construction

financing) of the loan being provided for the specific activity to be undertaken. The commitment should be binding, contingent only upon receipt of CDBG funds.

7. Public Sector Commitments

If resources from the public sector or nonprofit entities are to be involved in the proposed economic development project, applicants must provide written evidence of firm commitment of public funds and/or other resources. Such commitments should be binding, contingent only upon receipt of CDBG funds to the project. Evidence should include resolutions passed by the local governing body and/or a letter of commitment from other sources. Projects that include matching funds from the Economic Development Administration for public facilities in support of economic development may be reviewed and approved contingent on EDA approval if necessary to meet EDA requirements.

V. DETERMINATION FOR ASSISTANCE TO FOR-PROFIT BUSINESSES

The Federal Housing and Community Development Act requires the Department of Commerce to consider whether CDBG assistance to any for-profit business is appropriate to the project, including the extent of the need for assistance and the amount of assistance to be provided in relation to the public benefit that would result. Applicants must clearly demonstrate the need for CDBG assistance by documenting that a partial financing "gap" exists in funding the proposed project. Applicants must show that all reasonable resources have been considered and are available, appropriate, or sufficient to complete the project financing.

It is important to note that a business does not have to have its loan application repeatedly rejected from a lending institution. The Department encourages projects which can obtain bank financing but may not be able to complete the entire project financial structure or cannot afford the current interest rate for the entire loan without CDBG assistance. Projects which involve bank loans, and bank loans including Small Business Administration guarantees, have a high likelihood of being funded through the CDBG program.

A "gap" may be documented in several different ways, as described below.

The U.S. Department of Housing and Urban Development (HUD) requires that the applicant follow the steps outlined below in order to document that the proposed level of financial assistance is "necessary and appropriate."

Step 1 -- Evaluate All Project Costs

The applicant must verify all project costs and document how they were determined and by whom (land appraisal, engineer or architect prepared estimates, equipment lists and cost schedules, etc.). The applicant must determine the reasonableness and completeness of the cost estimates (such as the inclusion of Davis-Bacon prevailing wage rates, if applicable).

Step 2 -- Verify and Maximize Private and Other Public Funding Sources

It is the responsibility of the applicant to verify that all other reasonably available sources of private financing have been maximized for the project proposed. Other private sources such as banks, venture capital companies, or additional private equity should be sought before the project budget is finalized and CDBG funds applied for.

Before submitting a proposal to the applicant community, the business should first request a loan (or loans) from lending institutions for the remaining amount needed for the project after as much new private equity as possible has been committed to the project. If the lender(s) or investor(s) is/are unable or unwilling to make a loan or investment for the amount needed to complete the project, the business and applicant community should approach them with a financing package that includes CDBG funds and request a loan contingent on CDBG funds being received.

Step 3 -- Make a Determination of Need for CDBG Assistance

The applicant must demonstrate that the business it is proposing to assist with CDBG funds has a need for the funds. There are several methods of determining the need for CDBG assistance or financing "gap."

A. Financing Gap

1. Are the annual earnings of the proposed project sufficient without CDBG assistance to meet the annual debt service requirement of a loan at market rate?

2. Is there insufficient equity to meet collateral and other lending requirements of private lending institutions? Can the firm to be assisted contribute sufficient equity to the project to meet the collateral requirements of the first or the second position lenders?

The application should include letters from the private lending institutions contacted by the business for loans. The letters should document one or more of the following situations:

-- the lender will not make any loan to the business;
-- the lender can only lend a portion of the total project costs; or
-- the lender will only participate if CDBG funds are involved in the project and states that its participation is contingent on CDBG funds.

The amount of the financial gap should be quantified based on the pro forma. For example:

-- if a lender can only provide a loan (contingent on CDBG) for a portion of the project costs, and all available private equity is invested into the project, the amount of the financing gap equals the amount remaining in the project that cannot be financed privately; or

-- if a lender agrees to finance the project costs above the amount of private equity invested, but the annual debt service is higher than the projected cash flow from the project, the amount of the financing gap is equal to the amount of CDBG funds needed to lower the debt service so that a reasonable cash flow coverage is achieved and the project's financial feasibility is maintained.

Step 4 -- Size the CDBG Assistance

The applicant local government should determine the minimum amount of CDBG financial assistance necessary to stimulate private investment based on the quantified financial gap and ensure that the business is not unduly enriched compared to the public benefits expected to occur as a result of the project.

VI. THRESHOLD REQUIREMENTS FOR CDBG ECONOMIC DEVELOPMENT PROJECTS

The following threshold requirements are applicable to full applications for CDBG economic development assistance.

A. CDBG COST PER JOB FOR LOW AND MODERATE INCOME PERSONS

The nonadministrative CDBG cost per job to be created or retained for low and moderate income persons must not exceed $20,000 per job. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs for low and moderate

income persons to be directly created or retained by the assisted enterprise into the total amount of the nonadministrative CDBG funds requested.

B. PERCENT OF JOBS TO BENEFIT LOW AND MODERATE INCOME PERSONS

In order to be eligible for CDBG assistance, the applicant must demonstrate that a minimum of 51 percent of the jobs to be directly created or retained by an economic development project are held by or will be filled with low and moderate income persons; or will be filled by low and moderate income persons after special training planned as part of the project.

Projects which are determined by the Department to qualify as providing benefits to low and moderate income persons in an area that has a population of at least 51% low and moderate income persons (area-wide benefit) do not have to meet the cost per job or hiring and training requirements. However, it is strongly recommended that area-wide benefit projects meet these requirements. Applicants must contact the Department for a determination of whether a project qualifies as an area-wide benefit activity.

C. DEBT/EQUITY RATIO

For CDBG assistance to for-profit businesses, the debt to equity ratio for each business to be assisted must be no greater than 5:1. The debt to equity ratio must be calculated according to Generally Accepted Accounting Principles applicable to for-profit businesses. A current balance sheet must be prepared that represents the financial situation of the business after all new debt and equity financing proposed for the project have been included. The balance sheet must have been prepared for a date no earlier than 90 days prior to the time that the completed application is submitted to the loan committee. The Debt/Equity Ratio shall be calculated, under Generally Accepted Accounting Principles, according to the following formula:

Debt/Equity Ratio = Total Liabilities - Officer Subordinated Debt divided by Total Net Worth - Intangibles* + Officer Subordinated Debt

* "Intangibles" are assets for which no market exists or no market value can be firmly established, such as organizational costs, noncompetitive agreements, and patents (unless a firm cash offer is in hand.)

D. MATCHING FUNDS

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-CDBG dollar for each dollar of nonadministrative CDBG funds requested (a 1:1 leverage ratio). The non-CDBG funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants should ensure that documentation committing the non-CDBG dollars states that the commitment is contingent on the receipt of CDBG funds.

At least 50% of the required matching funds must be met by new cash in the form of new cash equity or new loans to be made on or after the date of the application acceptance date. Cash expenditures for fixed assets integral to the project, made within 180 days before the date the application is determined to be complete, may be counted for up to 50% of the required match. For businesses which are proposing to locate into Montana, documented fixed assets that are moved into the state that are integral to the project can be counted up to 50% of the required match.

It is absolutely essential that the applicant and the business do not incur costs or obligate funds, which are intended to be reimbursed with CDBG funds, prior to the date that all contract start-up conditions (including the final execution of the loan agreement) are satisfied by the grantee and approved in writing by the Department of Commerce.

The following will not be considered as match:

1. existing assets (with the exception of cash expenditures for necessary fixed assets made within 180 days before the application date
2. in-kind services
3. other costs incurred prior to the application date
4. the refinancing of existing debt
5. projected operating cash flow
6. existing equity
7. existing bank line of credit amounts

note: Increases in lines of credit contingent upon CDBG may be accepted.

E. HIRING AND TRAINING PLAN

The primary goal of CDBG-funded economic development grants is to increase job opportunities for local residents, particularly persons of low and moderate income.

Applicants must provide a Hiring and Training Plan to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the Hiring and Training Plan will be considered binding. A final hiring plan will be incorporated in the grant agreement between the local government and the Department of Commerce.

Hiring goals should be reasonable and justified by the financial statements and projections. Claims for the number of jobs to be created or retained should be realistic and not inflated or overly optimistic.

The assistance agreement between the community and the assisted business will contain conditions regarding the hiring of low and moderate income persons. The assisted business must show substantial compliance with the hiring and training plan and a "good faith" effort towards accomplishing the hiring goals set out in the assistance agreement before the project can be closed out.

All jobs must be converted into full-time equivalent positions. A full-time equivalent employee is an individual who is employed for 40 hours a week on the average or a combination of individuals whose combined hours of employment equal 40 hours per week.

If part-time or seasonal employment is proposed, the application must include an estimate of the number of hours to be worked each year for each proposed position. **Only permanent jobs may be counted.** Temporary construction jobs and other temporary and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the primary occupation and the principal source of income to the low to moderate income person for the year. This situation is very difficult to document and is not encouraged for CDBG projects.

The base level of employment with a list of all current employees and job titles must be provided with the application in order to determine the actual number of new hires. For existing firms,

applicants must provide employment levels for the past year. The date for determining the base level of employees will be the application submission date.

Only jobs that are created directly by the assisted business within a 24-month period following grant award will usually be counted towards this requirement. The Department cannot consider indirect employment created through contractual relationships.

Minimum job requirements should not exceed the equivalent of a high school education in order to be counted as a job opening available to be filled by low and moderate income persons. If job qualification requirements exceed the equivalent of a high school education, training can be provided to enable otherwise unqualified persons to qualify for the position. The jobs that are to be created must be physically accessible to the low and moderate income population within a reasonable geographic area.

The family income is considered as of the time the jobs are filled or retained, not after the low and moderate income person is hired. Jobs must be equally available to low and moderate income persons. For new hires, income is determined for the year prior to the date the person is hired.

A "low and moderate income person" is defined as a member of a low and moderate income family. The total income and size of the family, not the individual's income, determines whether an individual is considered to be low and moderate income. "Family" is considered to be husband, wife and dependents, such as the IRS determination for income tax purposes.

For projects involving the retention of jobs, the income levels should be documented for the prior year's income of the family. The verification forms should be completed no more than 30 days prior to submittal of the application. The application must provide clear and objective evidence that, in the absence of the CDBG assistance, the jobs will be lost. The business will have to commit to filling as many new job openings from turnover and job creation as is reasonably possible with low and moderate income persons. The full application must include a complete listing of all existing jobs by title, race, ethnicity, gender and handicapped status. The application must indicate which positions are currently held by low and moderate income persons. The business should provide an estimate of its expected job turnover rate during the next two years, especially if job turnover will be counted toward the low and moderate income benefit percentage.

Businesses claiming retention of jobs must submit with the full application documentation of the verification of existing

employees eligibility to be considered low and moderate income by using the income verification form and job tracking form that will be provided upon request by the Department.

Assistance in the development of a hiring and training plan may be obtained from the local Job Service or the Human Resource Development Council. Other programs such as the Job Training Partnership Act (JTPA) programs should be coordinated with the hiring process wherever possible. HUD will accept persons eligible under JTPA guidelines as low and moderate income persons, except for those eligible under the Dislocated Workers Program.

Grantees must ensure that complete hiring records are maintained by the assisting agency, the assisted business and by the grantee.

Federal regulations and reporting requirements require that racial, ethnic and gender characteristics information be maintained for all job applicants as well as new hires.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG funds.

At a minimum the Hiring and Training Plan must include the following:

1. A breakdown of jobs to be created or retained and indicating the percentage of jobs which are full-time, part-time, skilled, semiskilled, or unskilled positions.

2. A discussion of the actions to be taken to ensure that the positions created will be filled by persons of low and moderate income.

3. A breakdown of jobs to be created indicating the job titles and descriptions and the rates of compensation. For applications proposing positions involving less than full-time employment, an estimate of the number of hours to be worked each week or months to be worked each year for each position must be included.

4. A timetable for creating the jobs, the total number of persons, and number of low and moderate income persons to be hired.

5. An assurance that the business will be in compliance with the equal opportunity and nondiscrimination laws.

6. Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income.

7. A description of the training curriculum and resources, if applicable.

8. Written commitments from any agencies or organizations participating in the implementation of the hiring plan.

9. Written commitment from the assisted business to comply with the hiring plan.

VII. GENERAL POLICIES ON LOANS TO FOR-PROFIT BUSINESSES

All loans made to for-profit businesses with CDBG funds are subject to the following guidelines:

A. LOAN TERMS

The terms of the loan should be consistent with the projected use of funds, and individual project needs. For example, terms for financing machinery and equipment should generally be between 5 to 10 years. For buildings and real estate, terms should generally range between 15 to 20 years. Working capital loans should be limited to 7 years. If a deferral of repayments is requested by the applicant and is accepted by the Department, the term of the loan will include the deferred period. For example, a loan with a ten year term with a one year deferral period has a total term of ten years, not eleven.

B. DEFERRAL OF REPAYMENTS

Repayments of principal, interest, or both may be partially deferred up to two years. The need for a deferral must be supported by the projected cash flow of the business and the defined financial gap. The Department will require that at least nominal payments be made in each year from the time the loan agreement is executed.

C. LOAN SECURITY

All loans must be secured with fixed assets (i.e., land, buildings, and capital equipment), personal guarantees, or any other reasonable source of available collateral. CDBG funds may

be placed in a subordinated security position to other lenders involved in the project. Applicants must include documentation for the value of collateral offered for security and a description of all security positions held by lenders and any liens which may apply to the collateral (tax liens, mechanics liens, or other liens). The Department will negotiate with the business for the most secure position which is reasonably available, regardless of the proposed use of the CDBG funds (for example, fixed assets may be used to secure working capital loans).

D. INTEREST RATES

Interest rates for CDBG funded loans to for-profit businesses will generally be 7 percent. Lower interest rates may be considered by the Department of Commerce if it can be conclusively demonstrated that a lower rate is essential to the economic viability of the project. In addition, the Department may provide a discount of one-eighth percent for each permanent full time equivalent job created for low and moderate income persons over a two year period from the date of the grant award. The loan agreement and interest rate can include, at the option of the local government, language to incorporate a job creation discount after the two year period. In no case will the minimum allowable interest rate, including the job creation interest discount, be less than 4 percent.

VIII. FUNDING CRITERIA

The review of the application will be expedited and the application's likelihood of being funded will increase if the applicant community and business have adequately demonstrated that:

1. All thresholds are met or exceeded.

2. A financing gap exists, the applicant has quantified the gap as much as is reasonably possible, and has determined that the project needs CDBG assistance in order to proceed.

3. The level of CDBG assistance is appropriate in relation to the public benefit expected to result from the project.

4. Proposed management is experienced in the type of business activities proposed and has demonstrated the capacity to successfully manage the entity to be assisted demonstrated.

5. The application is complete as submitted, and contains accurate information.

6. The earnings projections submitted with the application are realistic and attainable, are supported by historical trends and industry norms, and indicate that projected cash flow is sufficient to support increased debt.

7. The CDBG funds would be adequately secured with all reasonably available assets and/or personal guarantees.

8. The application documents a sound, well-reasoned proposal with a perceived strong chance for success if CDBG funds are received.

9. The private or public sector lenders involved in the project have provided firm commitment of funds.

10. The project is ready to proceed if notification that a tentative CDBG award is given and implementation will begin immediately.

11. The application conclusively demonstrates that the project will support itself over time, and will not impose a burden on any local government or nonprofit entity participating in the project.

Applications where viability may be questionable, or where the overall business plan or need for CDBG assistance is inadequately documented, may be either restructured, renegotiated or not funded depending on the severity and nature of the problems identified.

IX. LOCAL GOVERNMENT

APPLICATION REQUIREMENTS

IX. LOCAL GOVERNMENT APPLICATION REQUIREMENTS

A. CITIZEN PARTICIPATION AND THE COMMUNITY DEVELOPMENT NEEDS ASSESSMENT

1. Citizen Participation

The Community Development Act requires the Department of Commerce to adopt "a detailed Citizen Participation Plan". In order to receive CDBG funds, both the Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

At a minimum, the applicant must hold two public hearings prior to passage of a resolution by the governing body authorizing the submission of the full application. The public hearings may be conducted either as part of a regularly scheduled meeting of the governing body or as a hearing convened especially for CDBG purposes.

A record of the required hearings must be submitted with the full application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income persons, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of the submittal of the application.

For economic development projects, the local government should solicit publicly for prospective businesses which may be interested in applying for a CDBG loan from the State through the

local government. The local government should then select the most reasonable and viable proposal(s) for consideration for a application to the Department.

Another purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application(s), before it is submitted. The issues which should be considered include the proposed project location, activities, and the budget (including the estimated amount proposed to be used for activities that will benefit low and moderate income families).

Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses.

Formal public notice must be provided before public hearings are held. Notice should also be directed to persons of low and moderate income, those persons who will benefit from or be affected by CDBG activities and/or representatives of low and moderate income persons. Hearings must be held at times and locations convenient to potential and actual beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements must be made to have an interpreter present.

Notice of the public hearings should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any neighborhood which may be affected by a proposed CDBG project. The hearing should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives for notifying the public such as radio announcements, mailed notices, and posters.)

2. Community Development Needs Assessment

The Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs."

Each applicant must include a brief description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate income.

2. The applicant's short-term and long-term community development needs in economic development, housing and neighborhood revitalization, and public facilities, including the needs of low and moderate income persons, and its priorities for responding to the needs.

3. The planned activities to be undertaken to meet the identified needs.

4. The alternative projects considered for CDBG funding and the rationale for selecting the proposed project(s).

The needs assessment process does not have to be conducted annually for applicants re-applying for CDBG funds if a previously prepared needs assessment still accurately reflects existing conditions and community development objectives and meets the requirements set out above. If an existing needs assessment will be used as the basis for reapplication, the applicant should solicit public comments on the previously identified community needs and priorities at one or more of the two public hearings required.

For further information on alternative methods of preparing a needs assessment, applicants can request a copy of the Department's publication, The Community Development Needs Assessment Process.

B. MANAGEMENT PLAN

As part of its application, each applicant must submit a Management Plan which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with

State and federal requirements, effective and timely start-up and completion of project activities.

2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project.

If a previous or current grantee under the State CDBG Program, performance of project management responsibilities must be acceptable. Local governments that are currently administering CDBG projects will not be eligible for reapplication if:

-- the local government is not in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce; or

-- there are outstanding audit or monitoring findings on a previously funded project, where the grant recipient has not satisfactorily resolved the identified problem.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, the Department of Commerce may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.

C. CERTIFICATIONS FOR APPLICATION

Each local government applying for CDBG funds and the business to be assisted with CDBG funds must agree to comply with the federal and State requirements set out in Appendix B (the CDBG Certifications for Application) in implementing their proposed CDBG project, if selected for funding. Very few of the regulations that apply to local governments will actually apply to the business. Some requirements will apply to the business, which should be made aware from the beginning of negotiations which requirements will apply. A copy of the Certifications for

Application, signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the full application for CDBG funds. Applying local governments and businesses should carefully review these requirements and consider their potential impact when designing their CDBG project.

The federal requirements address issues such as financial management, labor practices, environmental impacts, civil rights, fair housing, and acquisition of real property and relocation of homeowners. Other State laws and regulations will also apply to the agreement between the local government, the Department and any business or agency which will receive CDBG assistance through a loan or grant.

Chapter 11, "Economic Development", of the Montana CDBG Grant Administration Manual provides additional guidance on the applicability of federal regulations to applicants and to the business proposed to be assisted. Copies are available upon request to the Department of Commerce. These laws can have an affect on the costs and complexity of the project and the schedule for completion.

D. RESOLUTION TO AUTHORIZE APPLICATION

Each application for CDBG funds must be accompanied by a copy of a resolution duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application (Appendix B);
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

The Department of Commerce will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

E. MAPS

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area.

The following subsections discuss federal laws that may affect the business and the total cost and complexity of the project.

F. ENVIRONMENTAL IMPACT

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being considered and planned in order to avoid problems which could delay or even prevent a project from being implemented. Contact the Economic Development Division for guidance regarding the level of environmental review necessary, the procedures required, and the potential time constraints associated with the process.

G. FEDERAL LABOR STANDARDS

Federal labor requirements should be given careful consideration when planning CDBG-funded economic development projects. The Federal Contract Work Hours and Safety Standards Act, Copeland "Anti-Kickback" Act, and the Davis-Bacon Act will probably apply to most economic development projects which involve the use of CDBG funds for contracted labor for construction, remodeling, site development, extensive equipment installation or other similar activity for contracts over $2,000. The Davis-Bacon Act requires the payment of prevailing wage rates (usually comparable to union scale) on construction paid for in whole or in part with CDBG funds.

Determining the applicability of Davis-Bacon wage rates to an economic development project can be complex. Contact the Department of Commerce Economic Development Division during the planning stages for a proposed project for guidance and copies of the applicable wage rates and requirements.

The additional costs associated with Davis-Bacon wage rates, if applicable to a project, must be considered when calculating project costs and when obtaining estimates from potential contractors.

H. PROGRAM INCOME

"Program income" is any income earned from CDBG supported activities such as repayments of principal and interest from loans for economic development projects.

Under the Federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except where the local government uses the program income to continue the activity from which such income was derived. The Department's decision to permit the retaining of program income will be determined based on the adequacy of the proposed plan for the use and administration of program income submitted with the application.

If a community which has previously received a CDBG economic development award that has not been closed out and is a recipient of CDBG funds at a later date, unobligated program income from the earlier economic development CDBG project may be required to be expended on activities under the new CDBG project before the community can request funds for its new grant.

The Department will allow local governments to retain program income at the local level if the local government demonstrates that it has, or can quickly develop, the capacity to set up and manage a revolving loan fund for economic development purposes or a program income plan for other CDBG eligible community development activities with the approval of the Department.

The local government must be willing to commit the necessary resources, including financial support, to the proper management of the program income received from CDBG financed loans and other CDBG program income. A program income plan must be approved by the Department prior to the receipt of any program income from the project. If the program income plan and proposed level of support and resources committed to by the applicant community are determined to be inadequate, the Department will recover program income and commit it to the CDBG economic development category.

Communities that retain program income must use those funds for projects that are eligible under the CDBG program and that benefit 51% low and moderate income persons. Projects which meet HUD's definition of microbusiness enterprise qualify as providing 51% benefit to low and moderate income persons, and do not have to meet the cost per LMI job requirement. A microbusiness as defined by HUD is a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise. A microbusiness enterprise under HUD's definition automatically meets the 51% low-moderate income national objective if the income status of the assisted microenterprise owner is of low to moderate income. That person is presumed to continue to qualify as low to moderate income for up to a three-year period.

According to federal regulations, program income never loses its federal identity. When loans are repaid, all HUD Title I requirements, such as environmental review and Davis/Bacon wage rates, must be met in any subsequent re-use of these funds. **The only exception is when total program income received per year, per grantee is less than $25,000.**

A detailed source of information regarding program income and property management and disposition requirements is provided by the Department in the CDBG Administration Manual, and the 1996 Program Income/Revolving Loan Fund Manual.

I. STATE EDA REVOLVING LOAN FUND

The Department of Commerce received an $840,000 grant in 1990 from the Economic Development Administration (EDA) for creation of a revolving loan fund (RLF). The EDA grant agreement initially targeted the $840,000, with $300,000 of CDBG funds through the regular CDBG program, to the Sudden and Severe Economic Deterioration area of Beaverhead County. Other eligible areas were approved by modifications of the grant agreement with EDA. All payments from loans made through the EDA/CDBG RLF are required to be made to the DOC and cannot be retained by the local government.

The total loan repayments are used to capitalize a state EDA/CDBG revolving loan fund. The EDA/CDBG RLF is now available to Long Term Economic Deterioration Areas statewide that are designated by EDA. DOC used previous RLF guidelines to award first and second round EDA/CDBG RLF funds of $340,000 to Butte's Mycotech project and $340,000 to Havre/Hill County's Water Chef project.

Future EDA/CDBG RLF loan requests will not generally be considered by the Department until total loan repayments exceed $100,000 available. All future RLF loans will meet the current approved CDBG Program's Application Guidelines for Economic Development Projects, when the proposed RLF application is submitted to DOC, and must also satisfy the following EDA RLF Program requirements:

1) An applicant must assure the participation of at least two non-EDA/CDBG dollars for each dollar of EDA/CDBG funds requested, for a 2:1 match amount.
2) RLF loan funds provided to for-profit businesses cannot be used to:
    1. Purchase or finance equity in private businesses.
    2. Subsidize interest payments on existing loans.

3. Refinance loans made by other lenders.
4. Provide the equity contribution required of borrowers participating in other Federal loan programs.

3) The ceiling for each RLF loan is $500,000 and the Department does not encourage RLF applications requesting less than $100,000 for loans.
4) EDA regulations do not provide reimbursement of project administrative costs and require that the applicant pay these with local funds.
5) The grantee's existing staff and/or private contractors will service the RLF loan as is determined to be appropriate by the DOC. The funds will be kept in a normal state account for such purposes according to existing policies governing the investments of state funds.
6) No more than 50% of the EDA/CDBG RLF will be targeted towards working capital loans.
7) The minimum interest rate that may be charged is four (4) percentage points below the current bank prime rate as quoted in the Wall Street Journal but no less than five (5) percent.

NOTE: The Department has no intention to change existing program income policy for the regular CDBG program. Local governments that can demonstrate the capacity to manage program income will continue to be allowed to receive program income for local projects. The above section only applies to the EDA/CDBG Revolving Loan Fund.

J. PROPERTY MANAGEMENT AND DISPOSITION

Federal property management requirements apply to real property within the grantee's control which was acquired or improved in whole or in part using CDBG funds in excess of $25,000. These requirements apply from the date CDBG funds are first spent for the property until five years after closeout of the grant from which the assistance to the property was provided.

K. ACQUISITION

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "just compensation".

Federal requirements also apply to assisted nonprofit agencies or private for-profit businesses which propose to use CDBG dollars for land acquisition. Local governments or businesses

considering acquisition of real property as part of a CDBG project should contact the Department for guidance.

L. STATE COMMUNITY DEVELOPMENT OBJECTIVES

Under federal law, the Department of Commerce must annually prepare a Performance and Evaluation Report to HUD which must relate each grant recipient's use of CDBG funds to the State's community development objectives. In order for the Department to fulfill this requirement each CDBG applicant must identify the State objective(s) which its proposed project responds to. Appendix C describes the State's objectives for the Montana CDBG Program.

M. PROJECT BUDGET

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within the contract period. Each applicant must propose a budget which is sufficient to assure effective administration and timely project completion. A budget form is attached in Appendix A, Sources and Uses Form.

The total budget of any proposed CDBG project should be divided between "activity costs" (such as loan to a for-profit business for equipment, working capital, etc.) and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local government audit; and other contractual costs for professional services that may be associated with administration of the program.

The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. For other sources of funds that are needed to complete the project, the status of these funds and how they will be used with CDBG funds should also be described and documented (land and equipment appraisals, architect's cost estimates, etc.)

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 10 percent of the total grant requested. Applicants which propose to contract for

project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

Costs incurred by the grantee or the business prior to award of the grant and release of funds by the Department (such as: fees for preparing the application; a community survey or needs assessment; preparation of the environmental review record if conducted prior to award; or expenses incurred by the business to

be assisted) are not eligible for reimbursement with CDBG funds in the event of a grant award.

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

The Department recommends that applicants budget up to $2,000 for project audits. Grantees, depending on the usual audit frequency of the local government, may be audited more than once during the term of the project.

N. REALLOCATION OF UNCOMMITTED FUNDS

The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner". HUD requires the State to have at least 75% of its total annual grant allocation awarded and under contract within twelve months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award. Therefore, if after ten months from the date of the award of the State's annual CDBG allocation, the Department of Commerce does not have at least 75% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development set-aside to the highest ranked, unfunded applications from the spring and fall housing and the public facilities grant competitions in order to achieve these goals.

APPENDICES

APPENDIX A

MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

ECONOMIC DEVELOPMENT APPLICATION FORM

I. APPLICANT INFORMATION

A. Applicant Community

Name: _____

Address: _____

_____ FAX Number: _____

Chief Elected Official: _____

Contact Person: _____

Address: _____

_____ Phone Number: _____

B. Applicant Business

Name of Company: _____ SIC Code: _____

Address: _____

_____ FAX Number: _____

Contact Person: _____

Address: _____

_____ Phone Number: _____

II. BUSINESS PLAN INFORMATION

A. Number of Years in Business:_____

B. Form of Business Organization: Sole Proprietorship____; Partnership___; Corporation___; Other_____

C. Business Description and Project Plan (Provide a business plan and project description with special emphasis on marketing studies and strategy).

D. Attach a complete set of financial statements described in the Montana CDBG Application Guidelines in Financial Exhibits section.

E. Complete the attached budget form and include all sources and uses of funds proposed for the project. Include a narrative rationale of the budget costs.

F. Projected Financing and Collateral Positions (use separate pages if necessary).

1. Proposed Financing (include new equity):

Source	Principal($)	Rate	Term	Payment/Yr

2. Proposed Collateral Positions:

Source	Collateral	Value($)	Position

G. Attach letters of commitment from proposed sources of new

funds, including the business owners.

III. PROJECT TIMETABLE

A. Start-up Date:_____

B. Completion Date:_____

C. Hiring Started:_____

D. Hiring Completed:(within 2 years)_____

IV. THRESHOLDS

A. Cost Per LMI FTE Job:_____(less than $20,000)

B. Percentage of Benefit to LMI:_____(at least 51%)

C. Debt to Equity Ratio Projected:_____(not to exceed 5:1)

D. Ratio of Matching Funds Committed:_____(at least 1:1)

E. Total Amount of New Equity Funds Committed:$_____

V. HIRING AND TRAINING PLAN

A. Number of Existing Full Time Equivalent (FTE) Jobs:_____

B. Number of FTE Jobs to be Created:_____

C. Number of FTE Jobs to be Retained:_____

D. Number of FTE Jobs to be Created for Low and Moderate Income Persons (LMI):_____

E. Number of FTE Jobs to be Retained for LMI Persons:_____

F. Total Percentage of FTE Jobs for LMI Persons:_____

G. Agency used for Tracking Job Creation and LMI Verification:___

H. Attach Firm's Letter of Commitment to these Hiring Goals:_____

I. Attach Detailed Hiring and Training Plan:_____

VI. OTHER ATTACHMENTS

A. Certifications For Application._____

B. Public Hearings Documentation._____

C. Needs Assessment Summary._____

D. Resolution of Authorization._____

E. List Applicable State Objectives. _____

F. Maps/ Site Plans. _____

VII. CERTIFICATIONS

As the responsible authorized agents of (Name of Applicant Community), and (Name of Applicant Business), We hereby submit this Community Development Block Grant Economic Development Application. The information presented in this application is, to the best of our knowledge, true and accurately represents the proposed project. We understand that additional information and documentation will be required. (Name of Community) will accept responsibility for management of the project and compliance with CDBG regulations. (Name of Business) will accept responsibility for compliance with applicable CDBG regulations and to the hiring of low and moderate income persons as specified in this application.

_____ _____

Signature (Applicant Community) Typed Name and Title

_____

Date

_____ _____

Signature (Applicant Business) Typed Name and Title

_____

Date

BUDGET FORM FOR CDBG ECONOMIC DEVELOPMENT PROJECTS
(SOURCES & USES)

	$ CDBG	$ OTHER	$ OTHER	$ OTHER	$ TOTAL
ADMINISTRATION:					
PERSONAL SERVICES					
Salaries, Wages & Benefits					
OFFICE COSTS					
Supplies					
Postage & Printing					
Telephone					
PROFESSIONAL SERVICES					
Consultant					
Legal					
Audit					
OTHER					
Travel & Training					
Total Administration					
ACTIVITY:					
Acquisition					
Construction					
Materials					
Machinery/Equipment					
Working Capital					
Other					
Total Activity					
TOTAL PROJECT BUDGET					

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APPENDIX B

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed CDBG project, if it is selected for funding.

Listed in the following Certifications for Application are the most important federal regulations that apply to projects using CDBG funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an affect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. Since this is a brief summary and not intended to be a comprehensive description of each law, local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department of Commerce for guidance.

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

The Applicant hereby certifies that:

ACCEPTANCE OF CDBG PROGRAM REQUIREMENTS

It will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended, which have not been cited herein as well as with other applicable federal laws and regulations.

It will comply with all requirements established by the Department of Commerce and applicable State laws, regulations, and administrative procedures.

It accepts the terms, conditions, selection criteria, and procedures established by the Montana Community Development Block Grant (CDBG) Program and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of CDBG funds.

ACQUISITION, DISPLACEMENT AND RELOCATION

It will minimize displacement as a result of activities assisted with CDBG funds and assist persons actually displaced.

It will comply with:

- The Uniform Relocation Assistance and Real Property acquisition Policies Act of 1970 (The Uniform Act) as amended,and implementing regulations 49 CFR part 24 and the requirements of section 570.496a. These laws and accompanying regulations require the grantee to provide relocation payments and offer relocation assistance to all persons displaced as a result of acquisition of real property for an activity assisted under the CDBG program. Such payments and assistance must be provided in a fair and consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children). The grantee must assure that, within a reasonable

period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available to all displaced families and individuals and that the range of choices available to such persons will not vary on account of their race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children); and

- The grantee must also inform affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 49 CFR, Part 24, Subpart B.

- The Antidisplacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

ASSESSMENTS FOR PUBLIC IMPROVEMENTS

It will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

a. CDBG funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than CDBG funds; or,

b. for purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the applicant certifies that it lacks sufficient CDBG funds to comply with the requirements of clause a, above.

BUILDING STANDARDS

It will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana CDBG Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR part 8, "Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD". The applicant will be responsible for conducting inspections to insure

compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR Part 39.

CITIZEN PARTICIPATION

It will comply with the detailed Citizen Participation Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

Civil Rights

It will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

Equal Opportunity

It will comply with:

- Section 109 of the Housing and Community Development Act of 1974 as amended, and the regulations issued pursuant thereto (24 CFR 570.601), which provides that no person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds provided under the Act;

- The Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;

- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794). The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied program benefits or subjected to discrimination under any program or activity receiving federal assistance funds;

- Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 170/u) (24 CFR Part 135). Section 3 of the Housing and Urban Development Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and

- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR Part 130 and 41 CFR Chapter 60) prohibit a CDBG recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices to be provided setting for the provisions of this nondiscrimination clause. For contracts over $10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements, the grantee and subcontractors will comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.

Fair Housing

It will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1968 (also known as The Fair Housing Act) (42 U.S.C. 3601 et seq.), as amended by the Fair Housing Amendments Act of 1988 and the regulations issued pursuant thereto. The law states that it is the policy of the United States prohibiting any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, handicap, or familial status. CDBG grantees must also administer programs and activities relating to housing and community development in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and

- Executive Order 11063, as amended by Executive Order 12259, requires CDBG recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.

Prohibition of Discrimination on Basis of Religion

It will comply with section 109(a) of the Housing and Community Development Act which prohibits discrimination on the basis of religion or religious affiliation. No person will be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of his or her religion or religious affiliation.

Prohibition Of Excessive Force

It will, if awarded CDBG funds, adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 104(1) of the Housing and Community Development Act, as amended.

CONFLICT OF INTEREST

It will comply with the provisions of 24 CFR 570.611 and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, (as applicable) regarding the avoidance of conflict of interest.

ENVIRONMENTAL REQUIREMENTS

Air Quality

It will comply with the Clean Air Act (42 U.S.C. 7401, et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

Environmental Impact

It will comply with:

- Section 104(f) of the Housing and Community Development Act of 1974, as amended through 1981. This section expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR Part 58; and

- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance.

Its chief executive officer or other officer of the applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR Part 58, which further the

purposes of NEPA, insofar as the provisions of such federal law apply to the Montana Community Development Block Grant Program; and

2. is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

EPA List of Violating Facilities

It will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

Farmlands Protection

It will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated as prime, unique or statewide or locally important, to non-agricultural uses.

Floodplain Management and Wetlands Protection

It will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required, on and after March 2, 1974, the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;

- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and

modification of floodplains and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and

- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive Order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

Historic Preservation

It will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlined in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:

  1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic Places that exist with a proposed CDBG project's area of potential environmental impact, and/or to determine the need for professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and

  2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory Council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by CDBG work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

Lead-Based Paint

It will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

Noise, Facility Siting

It will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibit HUD support for most new construction of noise-sensitive uses is prohibited in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

Solid Waste

It will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

Water Quality

It will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq. and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)) which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and

- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, Public Law 92-212 (33 U.S.C. Section 1251, et seq.) which provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's water.

Wildlife

It will comply with:

- the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of such species which is determined by the U.S. Department of the Interior, after consultation with the state, to be critical; and

- the Fish and Wildlife Coordination Act of 1958, as amended, (U.S.C. 661 et seq.) which requires that wildlife conservation receives equal consideration and is coordinated with other features of water resource development programs.

Wild and Scenic Rivers

It will comply with the Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271, et seq.). The purpose of this Act is to preserve selected rivers or sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, license or other mechanism can not be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

FINANCIAL MANAGEMENT

It will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and Local Governments," as specified by the Department of Commerce;

- HUD "Administrative Requirements for Grant and Operative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments," (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of Commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and record keeping of CDBG funds. The requirements apply to cash depositories, bonding and insurance, record keeping, program income, property management, procurement, closeout, audit, and other requirements; and

- The Single Audit Act of 1984 which establishes criteria for determining the scope and content of audits and with OMB Circular A-128, "Audits of State and Local Governments," issued pursuant to the Act.

It will promptly refund to the Montana Department of Commerce any CDBG funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

It will give the Montana Department of Commerce, the Monana Legislative Auditor, HUD, and the Comptroller General, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

LABOR STANDARDS

It will comply with:

- Section 110 of the Housing and Community Development Act of 1975, as amended, 24 CFR 570.605, and State regulations regarding the administration and enforcement of labor standards. Section 110 requires that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-1- 276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to rehabilitation of residential property only if such property is designed for residential use for eight or more families;

- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c)), popularly known as the Copeland Anti-Kickback Act. The Act mandates that all laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and payrolls are required to be submitted to the federally-funded recipient by the contractor;

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated,

the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated damages; and

- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

LEGAL AUTHORITY

It possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a Community Development Block Grant, will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

LOBBYING

It certifies that:

- No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

- If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influencing an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard From LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

- The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

POLITICAL ACTIVITY

It will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or grants. An affected employee may not be a candidate for public office in a partisan election.

AUTHORIZATION TO SUBMIT APPLICATION

Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

_____

Signature, Chief Elected Official
(or Executive Officer)

_____

Name (typed or printed)

_____

Title

_____

Date

APPENDIX C

STATE OBJECTIVES FOR THE 1994 MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

General

1. Provide funding to communities whose needs are greater than those of other communities and whose projects most effectively address local needs and the goal and objectives of the Montana CDBG Program.

2. Encourage meaningful citizen participation, including efforts to involve low and moderate income persons, in the selection, design and implementation of local community development projects.

3. Ensure that CDBG projects result in sound investment in Montana's communities and are administered efficiently, effectively and consistently with appropriate State and federal policies.

4. Encourage the recognition of potential environmental constraints on community development activities in order to avoid or mitigate potentially adverse impacts upon the human and natural environment.

5. Encourage coordinated long-term strategies for community development activities which are consistent with local planning efforts and capital improvements programming.

6. In order to increase the potential impact of limited CDBG funds, encourage the commitment and coordination of other available public or private resources for community development projects.

Economic Development

7. Encourage viable economic development projects that promote investment of private capital, expansion of local tax bases, and creation of permanent, year round jobs principally for low and moderate income Montanans.

8. Encourage projects that will involve basic economic activities, including manufacturing, import substitution activities; or the distribution of Montana-made goods.

9. Encourage projects that involve the processing, refining, and marketing of Montana's natural resources.

Housing

10. Provide decent, safe, sanitary and energy efficient housing for persons of low and moderate income by conserving and improving the condition of appropriate existing housing stock.

11. Support the revitalization of deteriorated or declining residential neighborhoods through comprehensive neighborhood improvement efforts which address blight, as well as housing and public facility needs, while avoiding displacement of current residents.

12. Encourage the provision of affordable and appropriate housing assistance to low and moderate income households, and in particular, those with special needs such as those with lower incomes, female heads of family, or minority, elderly or disabled members.

13. Increase fair housing opportunity for low and moderate income persons by encouraging efforts by local governments to prevent discriminatory or restrictive housing practices.

14. Encourage private sector investment in housing for low and moderate income households and increase the impact of local housing programs through cooperative arrangements with private lenders and the use of financial leveraging techniques.

Public Facilities

15. Assist communities in providing appropriate and long-term solutions to serious deficiencies in public facilities which are detrimental to the public health and safety and detract from further community development, or which are necessary to meet other essential community needs.

16. Encourage community participation in the financing of public facility projects in proportion to local financial resources and capacity to share in project costs.

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